

**MINUTES OF THE
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
FRIDAY, JANUARY 24, 2003 - 2:00 P.M.
Room 403, State Capitol Building**

Members Present: Sen. Beverly Evans, Committee Co-Chair
Rep. Loraine T. Pace, Committee Co-Chair
Sen. Greg Bell
Sen. Mike Dmitrich
Rep. Roger Barrus
Rep. Ralph Becker
Rep. DeMar “Bud” Bowman
Rep. D. Gregg Buxton
Rep. David Clark
Rep. Stephen D. Clark
Rep. Brent H. Goodfellow
Rep. Wayne A. Harper

Staff Present: Kevin Walthers, Fiscal Analyst
Jonathan Ball, Technology Analyst
Bonnie Brinton, Committee Secretary

Public Speakers Present: Lynne Ward, Director, Governor’s Office of Planning and Budget
Ed Alter, State Treasurer
Joe Jensen, Director, Department of Facilities Construction and
Management
David Lamb, Deputy Director, Department of Administrative
Services

Visitor list on File.

Committee Co-Chairman Evans called the meeting to order at 2:10 p.m.

Sen. Evans stated that Sen. Dmitrich would be late and was excused as he is on another committee which meets at this time.

1. Member Introductions

Each member of the committee and staff introduced themselves to the audience. Sen. Evans stated that everyone should feel that they have the opportunity to express themselves in these committee meetings. Committee members and others should have respect and appreciation for the contributions made by officials and employees.

Rep. Pace encouraged everyone to have a positive attitude during this session.

2. Review/History of DAS Budget

Jonathan Ball, Technology Analyst, gave a Power Point presentation entitled “Budget Basics.”

The presentation included the following:

Questions:

- What are appropriated entities and what are internal service funds;
- What tools has the Legislature for controlling size and scope of appropriated entities?
- What tools has the Legislature for controlling size and scope of internal service funds?

What are appropriated entities and what are internal service funds?

- Appropriated Entity operations are supported by direct appropriations from state tax funds, federal funds, and restricted accounts.
- Internal Service Fund operations are supported by billing other governmental units in order to maintain capital and recoup costs.

What are appropriated entities and what are internal service funds?

Appropriated: (green tabs)

Executive Director (EDO)

Administrative Rules (DAR)

Archives

Purchasing

Finance

DFCM Administration

Judicial Conduct Commission

Capitol Preservation Board

Automatic Geographic Reference Center (AGRC)

Internal Service: (orange tabs)

General Service

Fleet Operations

Information Technology Services (ITS)

Risk Management

Facilities Management (DFCM)

Office of State Debt Collection (OSDC)

What tools has the Legislature for controlling size and scope of appropriated entities?

- **Budget!** (UCA 63-38-3, UCA 63-38-9)
 1. Entities cannot expend more free revenue (General Fund, Uniform School Fund, Income Tax) or Restricted Revenue (e.g.: ISF Overhead) than appropriated.
 2. Entities cannot expend more than 125% of dedicated credits appropriated. Entities cannot use excess dedicated credits (extra 25%) to permanently increase personnel.
 3. Entities cannot transfer appropriations across line-item without Legislative approval.
- **FTE For Information Only**

What tools has the Legislature for controlling size and scope of internal service funds?

- **Rates!** (UCA 63-38-3.5)

An ISF may not charge another agency, and may not increase rates, without Legislative approval.
- FTE must be approved by Legislature.
- Capital Outlay must be approved by Legislature.
- **Budget For Information Only**

When dedicated credits (in ISFs, generated by rates) exceed 90% of a programs budget, the program may spend as much as it collects. (UCA 63-38a-104)

Conclusions:

- **Appropriated Entities:**
 1. Monitor size and scope through FTE and budget.
 2. Adjust size and scope through appropriation of free revenue, restricted revenue, and dedicated credits.
- **Internal Service Funds:**
 1. Monitor size and scope through budget.
 2. Adjust size and scope through rates, FTE and capital outlay.

Sen. Evans asked each department head in attendance to introduce themselves.

Kevin Walthers, Fiscal Analyst, presented an overview of the Utah Department of Administrative Services. He gave a brief history of the Department's creation and referred to a

handout listing its eight purposes. He drew attention to the growth shown in the *Analyst FY 2004 Changes* column of a chart on page 3. This growth results from a proposed shift of budget and employees from Internal Service Funds into an appropriated line item.

Regarding a DAS Historical Comparison, Mr. Walthers stated that the total DAS budget is actually smaller than it was in 1993 and is 12% smaller than it was in FY 1998, the first year in which budget data was consolidated and standardized within a single data collection system. He further stated that since 1998, the Department has given up more than fifty percent of its state funds through program eliminations and the use of alternative funding sources to meet operating needs.

Rep. Goodfellow commended the department heads on their efficiency and good work.

Mr. Walthers summarized the Internal Service Funds assignment to employ business practices to provide a service or product for other State and governmental agencies. He commended the department heads for their excellent management of their departments. He stated that in his opinion further cuts to their budgets are not feasible.

Rep. Becker requested that a copy of the Governor's budget be available to committee members for comparison.

3. Agency Presentation

Lynne Ward, Director, Governor's Officer of Planning and Budget, explained the process used in putting together the Governor's recommendations for the budget. She stated that all of the State's needs and issues were considered. The Alterations, Repairs and Improvements Division has reduced their costs from 1.1% to .9% and will delay going back to 1.1% for another year. This Office is looking for ways to initiate changes, especially in higher education, to force better utilization of funds. This puts a discipline on the budgets of the state agencies and acts as a filter to reduce costs.

Sen. Evans expressed appreciation to Ms. Ward for her presentation and cooperation.

Mr. Walthers, Fiscal Analyst, distributed a handout containing information regarding Debt Ratios and Statewide Debt Totals for FY 2001. He explained the Constitutional Debt Limits, the Statutory Debt Limits, and True Interest Cost - Debt Currently Outstanding and answered questions from committee members. He stated that the total Statewide Debt Total is over \$11 billion; and of that total 10% is General Obligation Bonds or taxpayer-backed bonds. The per capita debt of \$4,947.

Ed Alter, State Treasurer, distributed a handout explaining Utah's Debt Management

Plan. He stated that at June 30, 2002, the State had \$1,474 billion of GO bonds outstanding, consisting of \$1,152 billion of highway bonds and \$322 million of building bonds. Mr. Alter explained the lease revenue bonds, which has the responsibility of providing state agencies with economical alternatives to renting office space. At June 30, 2002, the Authority had \$342.4 million of lease revenue bonds outstanding. He stated that the State has the best ratings possible on GO bonds and lease revenue bonds. These ratings save millions of dollars in interest each year because the State is able to get the lowest possible interest rates on new debt. Mr. Alter responded to questions regarding the General Obligation Bond authorization by the Legislature.

Sen. Evans expressed appreciation to Mr. Alter for his report and the outstanding work of his department.

Joe Jenkins, Director, Department of Facilities Construction and Maintenance, discussed the makeup and responsibilities of the State Building Board and the Capital Development Prioritization Process.

Sen. Evans stated that committee members should give importance to the information provided on the lists from the Building Board, the Board of Regents and the Governor's Office. These lists have gone through an incredible process and have used the expertise of many people.

Mr. Jenkins presented information on the beginning of Utah's Statewide Facility Focus Implementation. In 1997 the Legislature passed HB 3 which requires that all agencies within the State have procedures in place for the maintenance of their equipment and buildings. The main objective of this bill is to create a unified maintenance standard throughout the State. DFCM is in the process of establishing a comparable cost standard and analysis for the ongoing maintenance of government buildings and systems. Mr. Jenkins is hopeful that this issue can be discussed during the Legislature's Interim Process for adoption in the 2004 Legislative session. He stated that the AR&I should be the focus of budget considerations this year rather than more new buildings.

Sen. Evans acknowledged the great work done by the Building Board and the DFCM Director and staff. Rep. Pace also emphasized the importance of the lists from the Building Board and the Board of Regents.

The schedule for Monday's meeting and tour was discussed.

4. FY 2003 Interim Actions

Technology Analyst, Jonathan Ball, presented information regarding HB 6001 Legislative Cuts and Agency Recommended Allocation of Cuts. This included information explaining the

reasons for reallocating cuts and the impacts of final cut allocations.

David Lamb, Deputy Director for Finance, responded to questions from committee members.

Rep. Becker expressed appreciation to the Committee Chairs for providing orientation and background

Committee Co-Chair Evans adjourned the meeting at

Minutes were reported by Bonnie Brinton, Secretary.

Sen. Beverly Evans
Committee Co-Chair

Rep. Loraine T. Pace
Committee Co-Chair